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SUBJECT: THESSALONIKI: HOW NORTHERN GREECE CAN CONTRIBUTE TO BALKAN
STABILITY AND DEVELOPMENT

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¶1. (SBU) SUMMARY: Location, history, infrastructure, economy and multi-ethnic character make northern Greece a natural engine and source of ideas for Balkan stability and prosperity. Unfortunately, inertia, corruption and lack of leadership have sometimes made Greek Macedonia seem like more of a problem than part of the solution. With continued USG encouragement, however, this privileged but under-achieving corner of the Balkans can contribute significantly toward wider U.S. goals in southeast Europe, including strengthening regional cooperation against terrorism and other transnational crime, protecting the environment, promoting innovation and economic development, and integration of Muslims and other minorities. Such encouragement will also help nudge Greece to adopt a more global outlook and assume greater leadership in its own backyard. END SUMMARY

¶2. (SBU) Regional stability. Northern Greece borders Turkey, Bulgaria, Macedonia and Albania and comprises the EU's eastern frontier against illegal immigration, narcotics trafficking and other cross-border threats from south Asia and the Middle East. It has the capacity and resources (with support from the EU and USG) to help develop and lead a more effective, regional approach to fighting transnational crime. With thousands of illegal immigrants crossing the border from Turkey every month, many from Iraq, Afghanistan and other south Asian and Mideast states, the U.S. has an interest in encouraging Greece to strengthen law enforcement cooperation with Turkey and other neighbors. The USG should continue to support regional training seminars that bring together police and prosecutors from around the Balkans (such as those organized by Post with FBI and Homeland Security support since 2005 throughout northern Greece) and help build capacity and cross-border cooperation. While bilateral differences with Macedonia and Turkey complicate such cooperation, Greece is increasingly motivated to work with neighbors and the USG to fight urgent threats such as illegal immigration and cyber-crime. In May, the recently opened police academy in Verria, northern Greece, held its first regional training seminar for police of neighboring countries (except Macedonia). Northern Greece's senior police officials have expressed a strong interest in working with Post to co-organize additional regional seminars at the police academy in the future.

¶3. (SBU) Environmental cooperation. Greece and its northern neighbors could face a number of common environmental challenges, e.g. water resource management, more effectively through regional cooperation. The Thessaloniki-based scientific NGO Balkan Environment Center has the potential to lead regional efforts. With substantial funding from the EU and technical assistance from U.S. experts, the Center has played a small but promising role in protecting northern Greek wetlands and coastal

waterways, through methods and technology that the Center's director says are readily adaptable to similar challenges in other Balkan countries. The Center has offered to help neighbors establish similar NGOs that would eventually comprise a Balkan/eastern Mediterranean network of NGOs promoting environmental research and solutions development. A major advantage of such cooperation would be eligibility for substantial EU funding for regional (Inter-reg) projects to protect the environment. The USG should press for such collaboration throughout the wider region. An "Earth Day" teleconference meeting organized by Post between the leadership of the Balkan Environment Center and the northern Israel-based environmental research NGO, the Galilee Society, produced an agreement by both centers to cooperate on water resource management, renewable energy research and product development. With USG support and encouragement, the Balkan Center could serve as a catalyst and leader for similar collaboration around the Balkans and eastern Mediterranean.

¶4. (SBU) Trade and investment. Northern Greek businesses are already major contributors to economic development in the Balkans, and have the potential to create even more jobs and joint ventures. Supporting thousands of jobs in neighboring countries, northern Greek business people have often been the trailblazers in developing new markets for goods and services in the region. Even in countries that have strained or ambiguous relations with Greece, northern Greek businesses are eager to enhance their presence. The Northern Greece Exporters Association organized two large trade missions to Kosovo over the past year, and members of the Northern Greece Industrialists Association, including Alumil, one of the largest manufacturers in Greece, own factories in Macedonia. Northern Greece's greatest potential contribution to regional economic development, however, may lie in its ability to serve as a base for foreign companies aiming to access new markets in the Balkans. With its large pool of skilled workers, good road, rail and port infrastructure and relative stability, northern

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Greece is the logical "gateway" to the wider Balkans. In order to realize this long-standing potential, however, the USG should continue to press Greece to address long-standing obstacles to trade and investment, e.g. excessive bureaucracy, corruption, monopoly practices and labor inflexibility. Promising investments and joint ventures in northern Greece involving American partners such as Benjamin Moore Paints, Macedonia-Thrace Brewery and Solar Thin Films highlight northern Greece's potential as a Balkan gateway for American investment.

¶5. (SBU) Integration of the Muslim minority: Greece has the potential to change its reputation from EU laggard to a model for the treatment of minorities in southeast Europe, but must first adopt a clear policy on minorities and overcome a tendency to view its Thrace (northeastern Greece) Muslim minority as a Turkish fifth column. Despite major strides by Greece in the past thirty years to end ghetto-like conditions and blatantly discriminatory practices against Thrace Muslims, many remain poorly integrated and suspicious of the GoG. While content to be Greek, many Thrace Muslims view Turkey as their motherland and protector, a role Turkey cultivates through its highly active and well-funded Consulate in Thrace. Pro-Turkey Muslim clerics and politicians have exploited seemingly discriminatory Greek policies to rally their supporters around divisive nationalist agendas. To win the trust and allegiance of Thrace Muslims and discourage the emergence of extremist or separatist voices, Greece needs to improve the quality of education and economic prospects in predominantly Muslim areas of Thrace, where unemployment exceeds 40 percent and many Muslims feel like second class citizens. Greece must also bring its laws and policies on two specific minority issues into line with international standards, e.g. to allow Muslims to self-identify (e.g. as Turks) and to select their religious leaders without government interference. Greece should be encouraged to take such steps as a continuation of constructive measures announced by the MFA in February 2007, without linkage to the wider bilateral dialogue with Turkey. Recent UN, EU and COE reports

and ECHR decisions criticizing Greece's treatment of Muslims provide face-saving political cover for policy changes that will become only more difficult with time.

16. (SBU) Logistics hub. The Port of Thessaloniki, Greece's second largest, is planning a significant expansion in 2010 that will help it carve out a predominant logistics role in southeast Europe. The port is recovering from over a year of costly strikes and work slow-downs by port workers opposed to GoG efforts to modernize and privatize port operations. The worker protests and financial crisis contributed to the collapse of a Euros 420 billion deal signed in 2008 with Hutchison Whampoa to upgrade port infrastructure and privatize cargo handling operations. The GoG now plans a more modest upgrade financed by a Euros 220 million loan from the European Investment Bank. Improvements will include construction of a large new pier that will accommodate larger ships. Even with the new pier and other improvements, the Port will need to convince port workers to accept modern, competitive labor practices and win back freight forwarders and other shipping clients in southeast Europe who turned to other ports in recent years due to strikes and other delays in Thessaloniki. Port officials believe Thessaloniki has the potential to serve as a faster, cheaper alternative to western European ports that currently handle the majority of shipments of goods from Asia. European Commission Transportation officials reportedly favour such re-routing to relieve congested shipping and trucking routes. A rejuvenated port combined with a nearly completed major renovation of the Egnatia highway system connecting northern Greece with its Balkan neighbors will facilitate trade and transport throughout the region. Also, the ongoing development of the Burgas-Alexandroupoli oil pipeline and Turkey-Greece-Italy gas interconnector and (potentially) the recent resumption of oil drilling in the Bay of Kavala will enhance northern Greece's importance as a regional logistics and energy hub.

17. (SBU) Zone of Innovation. Ten years of GoG efforts to create a Zone of Innovation, or "Salonika Valley", for information technology and other innovative industries in northern Greece have been hindered by bureaucracy, poor leadership and local politics. Many of the necessary ingredients, however, for attracting entrepreneurs and innovative ventures to northern Greece already exist, including Greece's largest university, a successful scientific research and consulting center (EKETA), a large pool of well-educated workers, a core group of Greek IT companies who have invested their own capital in the future of the Zone, land and infrastructure dedicated to the Zone, and a package of tax, labor and other incentives approved by the GoG - all in a desirable and logistically well-situated geographic location. Several U.S. companies, including Silicon Valley giant Applied

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Materials, have visited Thessaloniki and expressed interest in participating in the Zone, if and when it becomes a reality. The USG should continue to remind the GoG that in addition to creating special incentives, it will need to remove the largest barriers to foreign investment in Greece, i.e. bureaucracy and lack of transparency, and let qualified business people take over key positions on the Zone's board of directors, currently composed of academics, lawyers and politicians with little business experience.

18. (SBU) Relations with Macedonia. Though most northern Greeks object passionately to the use of the name Macedonia by anyone but themselves and resist compromise on the name dispute with the Republic of Macedonia, business people and technocrats here understand the need to solve the dispute as soon as possible and to strengthen ties with their northern neighbors even in the absence of a settlement. Business leaders claim their existing investments and plans for additional investments in Macedonia are jeopardized by tensions and uncertainty generated by the name dispute. The USG can help bring like-minded pragmatists on both sides together for practical cooperation on a wide range of initiatives. Both the Northern Greece Industrialists Association and Northern Greek Exporters

Association are willing to send or host trade missions for discussions with Macedonian counterparts, but need the U.S. to play a neutral matchmaking role. Greek MFA officials based in Thessaloniki who are responsible for economic development are willing to direct Hellas Aid funds to support practical cooperation, e.g. on the environment, with Macedonia. Because of strained relations with Macedonia, the MFA officials propose that USAID participate in the project as a third party, even if USAID's contribution is only symbolic. Also, the Thessaloniki-based Balkan Environment Center claims that there are 5 million Euros of untapped EU (Inter-Reg) funds available for Greek-Macedonia scientific/environmental cooperation. The USG should urge both governments to reach an agreement on such cooperation, e.g. a long-standing proposal for monitoring cross-border water pollution on the Axios River. Also helpful would be more practical exchanges between academics from both countries. A network of social science faculty from around the Balkans, including Macedonia, recently established by Thessaloniki's University of Macedonia with Post's assistance, is one example of how the U.S. can play "honest broker" between neighbors separated by a common name.

19. This message was drafted by former CG Hoyt Yee, who departed Thessaloniki on July 4.
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